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C O N F I D E N T I A L SECTION 01 OF 04 NEW DELHI 001519

SIPDIS

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TAGS: [PGOV](#) [IN](#)

SUBJECT: NO CONGRESS KNOCKOUT - BJP BACK IN THE RUNNING  
FOLLOWING STATE POLLS

REF: A. NEW DELHI 1304

- [1](#)B. NEW DELHI 796
- [1](#)C. CALCUTTA 72

Classified By: DCM Robert O. Blake, Jr. for Reasons 1.4 (B, D)

[1](#)1. (C) Summary: Despite a decisive victory in Haryana, Congress and its United Progressive Alliance (UPA) allies have emerged chastened by the elections in Jharkhand, and Bihar. Although the Jharkhand/Bihar outcome has given the BJP and its National Democratic Alliance (NDA) partners a new lease on life, the UPA is still securely in place in New Delhi. In Jharkhand and Bihar Congress pulled defeat from the jaws of victory, and let over-confidence, and infighting get the best of it. Congress also revealed itself to be less competent at managing regional alliances than the BJP. Bihar regional satrap Laloo Prasad Yadav is the big loser in this process, although he is down but not out, and will fight on. Over the long term, Congress will be more comfortable with a chastened and more humble Laloo who is unlikely to challenge the UPA. The bright spot for Congress is Haryana, where it scored a clear victory. The BJP is likely to form the government in Jharkhand in a matter of days. The situation in Bihar remains murky, with the most likely outcome being a period of President's rule followed by a UPA coalition government. Congress, now must focus on cementing its UPA alliance and facing a revived NDA, and will likely be more cautious and less inclined to take dramatic economic and foreign policy initiatives. End Summary.

#### The UPA Falls Short in Bihar -----

[1](#)2. (C) Congress arrogance and inability to stem infighting amongst its allies cost it a chance to score a three state sweep against its NDA opponents in recently concluded elections in Bihar, Jharkhand and Haryana. Instead, snatching defeat from the jaws of victory, Congress provided a much-needed shot in the arm to the BJP and its NDA alliance, which has been in a downward spiral since the 2004 elections. Congress has proved less adept than the BJP at managing coalition politics, and has paid a heavy price. In Bihar, divisiveness among UPA allies at the state level resulted in a hopelessly hung assembly, with no party or coalition in a position to form the government.

[1](#)3. (SBU) In Bihar, Laloo's weakness and that of his Rashtriya Janata Dal (RJD) was already quite apparent (Ref A). Not only did he fail to keep his winning caste combination (Yadavs and Muslims) together, he needlessly antagonized Dalit leader Ram Vilas Paswan by taking the Railways portfolio in the national cabinet for himself. As a result, Paswan announced his intention to depose Laloo and his willingness to work with practically anyone to establish a non-RJD government. For the first time in many years, Bihar's Dalits had a clear choice and many of them voted for one of their own, giving 30 seats to Paswan's Lok Janshakti Party (LJP). Instead of trying to maintain unity, Congress saw an opening to humble Laloo and to distance itself from one of its tainted ministers. The result was a three-sided contest, with voters choosing between Congress/LJP, RJD, and the NDA.

[1](#)4. (U) There was no "Congress wave" in Bihar. As a party, it won only 10 seats, two less than it had before. The RJD (73 seats) and its Communist allies control 77 seats, far short of a majority in the 243 seat house. The BJP, like Congress, merely held its own with 39 seats, while its Janata Dal United ally won 54, for a total of 93. This leaves no party in a position to form the government.

#### ...And Cripples Itself in Jharkhand -----

[1](#)5. (C) Congress repeated the same pattern in Jharkhand, where it chose to ally with Coal Minister and tribal leader Shibu Soren and his JMM and to the exclusion of those parties needed to win. UPA candidates undercut each other in crucial contests, handing unexpected victories to the BJP, with Laloo accusing Soren of having "destroyed the whole scene," by allying with Congress against him. Soren's blatant nepotism also alienated his supporters, resulting in the defeat of both of his sons, and reducing the JMM to only 17 seats in an 81 seat assembly. Congress won only nine seats, meaning that

the combined Congress/JMM total of 26 seats is far short of the required 41.

16. (C) The BJP victory was not a result of its sterling record in Jharkhand. Its performance as the state government incumbent has been lackluster, especially in the crucial area of economic development, and there was no undercurrent of BJP support in the state. Instead, the divided UPA presented such an unattractive picture that many votes went to the BJP by default. In other cases, the UPA votes were split, handing a de-facto victory to the NDA candidate.

#### Haryana: Congress Bright Spot

17. (C) Haryana was the Congress bright spot, in that it won a clear two thirds majority of 67 seats in a house of 90, while reducing its regional opponents the Indian National Lok Dal (INLD) to only 9 seats. The BJP contested all 90 seats and won only two. In Haryana the BJP demonstrated that without a regional ally it could not be a viable party, while the INLD was a spent force that had alienated its supporters with heavyhandedness, nepotism, and corruption (Ref B).

#### Congress Views

18. (C) Jaipal Reddy, Congress Minister for Information and Broadcasting, told us that the Jharkhand and Bihar elections were a "debacle for the UPA," blaming them on "our own bickerings." He confided that the UPA did not have a well thought-out strategy in either state, and it was handled badly by "some of our overzealous leaders." Reddy insisted that there was still a chance that the UPA could form the government in Jharkhand, as "the governor is our man," and confirmed that substantive talks with Paswan over the fate of Bihar will not start until March 1 or 2. Reddy claimed that the elections would have no ill-effects on the national coalition and could even strengthen the Congress position within the UPA, as "Laloo will be a subdued man now." Congress MP Rashid Alvi called the Jharkhand and Bihar outcomes "big lessons" for Congress, which must retain a "united face" or "face the return of the NDA."

#### The BJP View

19. (C) In a February 28 conversation, R. Ramakrishna of the BJP Election Cell, confirmed that the BJP and JD(U) would stake a claim on forming the government in Bihar, although the election outcome was a disappointment for the BJP, in that it had hoped to win over 100 seats in Bihar. Ramakrishna insisted that the party remained confident of forming the government and the BJP is actively recruiting "seven or eight independents." In Jharkhand, the BJP legislators will meet on March 1 to select a candidate for Chief Minister. He did not think that the election would have a serious impact on the UPA government in New Delhi over the short term, and could only cause problems if Sonia Gandhi failed to resolve the tension between Laloo and Paswan.

#### Other Pundits Comment

110. (C) D. Raja, the National Secretary of the CPI pointed out that this election was a serious wake-up call for the "secular parties" in that they must follow "coalition norms" or face a growing challenge from a revived NDA, and called for UPA parties to stop fighting among themselves. Veteran journalist Zafar Agha claimed that Sonia Gandhi was working to engineer a face-saving formula to keep Bihar in UPA hands, which calls for Laloo to resign as Railway Minister and hand the portfolio over to Paswan. In return, Paswan is to accept Laloo as Bihar Chief Minister. Agha said the UPA needed to cultivate coalition allies with a clean image and not to name "tainted Ministers" such as Laloo to the Cabinet. "Hindu" editor Harish Khare asserted that the Communists have also been humbled in this election, as they now see a new need for "secular" parties to unite and confront a revived BJP.

#### Winners and Losers

111. (C) The biggest loser in the election was Laloo, who has been weakened and no longer has the nationwide political clout that he had before the election. Although he continues to protest that he can form the government in Bihar, his wife Rabri Devi submitted her resignation as Chief Minister on February 28 and he does not have the required numbers. The biggest winner in Bihar is Ram Vilas Paswan, the kingmaker for the government there, who is also a UPA Minister. At present, he remains determined not to join any government with the BJP or the RJD and insists he is prepared for a period of President's Rule (Under the Indian Constitution, the Governor may dismiss the government and rule the state when no clear winner emerges from an election).

¶12. (C) Rather than accede to these demands, Mrs. Gandhi could decide to allow a protracted period of President's Rule. In November 2004, she installed Congress war-horse Buta Singh as governor, and with him at the helm in the state, Congress would have its own administration in place for up to one year. This scenario would provide Congress with a chance to tackle some of Bihar's intractable problems of governance and demonstrate competence, positioning the party to win on its own in the next state elections.

¶13. (C) Coal Minister Shibu Soren is also a major loser, in that he failed to deliver Jharkhand for the UPA and failed to achieve his goal of becoming Chief Minister. Only five seats short of forming the Jharkhand government, the incumbent BJP/JD(U) is confident of recruiting enough independents to put it over the top. It will have to pay a price, however, most likely ministerial berths for those independents who sign on. Shibu Soren's alienated deputy who ran against the JMM as an independent and won, is among those independents most likely to join the NDA. Congen Calcutta reports that the BJP is also looking to replace Chief Minister Arjun Munda, whose performance has been mediocre at best, with Babulal Marandi, who was Jharkhand's first Chief Minister after the state was created. The UPA seems resigned to defeat and has all but conceded that the BJP will stay on.

¶14. (C) Congress is a clear winner in Haryana, but there are no less than nine contenders for the Chief Ministership. The Congress Assembly Party meets March 1 to select the next Chief Minister, but most acknowledge that the legislators will only rubber-stamp Sonia Gandhi's choice. The front-runner is three-time Chief Minister Bhajan Lal, who controls the biggest block of legislators. Sonia has said that she would prefer younger blood and reserves the option to select a youthful candidate. One big winner is Haryana Congress politician Randeep Surjewala, who defeated Chief Minister Om Prakash Chautala in his own constituency. Surjewala has been thrust into national prominence and is among the contenders for Chief Minister, or State Party President and is set for a long and successful political career.

#### The Immediate Future -----

¶15. (C) Sonia Gandhi has called Paswan to New Delhi to convince him to join with Laloo and Congress to establish a "secular" government in Bihar. While Paswan could well accede to her wishes, he would demand a heavy price, to include a Chief Minister not from the RJD or Laloo's family, and that Laloo step down as Railway Minister in New Delhi, and give the portfolio to Paswan. The arrangement would also likely include a Deputy Chief Minister from the LJP who is hand-picked by Paswan. A humbled Laloo may have no choice but to accept such an arrangement, lick his wounds and live to fight another day. The BJP will also try to woo Paswan, offering him the post of Chief Minister in a coalition government. As a Dalit leader who depends on Muslim backing, it would be very difficult for Paswan to accept such an offer. The BJP/JD(U) will fall short without Paswan.

#### Long-term Implications -----

¶16. (C) This election has revived the rapidly-declining fortunes of the BJP, which has demonstrated that it can hold onto power in Jharkhand, humiliate Laloo on his home turf, and retain a base of support in the Hindi belt. Despite its clear victory in Haryana, Congress has been sobered. This election has ended its winning streak and its plans to extend its control over new states and further relegate the BJP to irrelevancy. Congress will now have to re-examine its relations with the regional parties and devise ways to better manage regional alliances in future contests.

¶17. (C) While a setback for Congress, this election is certainly not life-threatening. The UPA remains firmly in power in New Delhi and the NDA is in no position to unseat it. At a time when many were predicting a break up of the NDA, the BJP and its allies have won a new lease on life and have regained some confidence, but remain weak. Congress picked up the state of Haryana, the BJP will in all likelihood retain power in Jharkhand, and Bihar is headed for a period of President's rule. In the end, Paswan is likely to be true to his caste loyalties and pragmatic instincts and patch together a UPA government in Bihar. This means that at the end of the day, Haryana will have changed hands, while Jharkhand and Bihar remain where they were.

¶18. (C) While Congress is now chastened, it could eventually conclude that it successfully humbled Laloo and removed his wife as Chief Minister. Should Paswan prove to be a more pragmatic and reliable ally, some within Congress will determine that this was a small price to pay to rein in Laloo and Shibu Soren and their excesses.

19. (C) This election outcome has revived "two coalition" politics in India, as the BJP/NDA becomes more confident and upbeat. Congress will now have to be more careful and cultivate its allies, while BJP has come back from the brink. Future contests will involve these two parties and their allies, and Congress will have to be careful to not repeat its tendency towards arrogance and overconfidence.

20. (C) Having been presented with clear evidence of instability within its alliance, Congress will likely focus more attention on cultivating and placating its allies, including the Communists who have come forward in the wake of the election with renewed calls for "secular unity" to stem a possible NDA resurgence. At least for the short term, this outcome is likely to make Congress more cautious in dealing with the economy and foreign affairs.

21, (U) This message was coordinated with Amconsul Calcutta.  
MULFORD